



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE July 12, 2005

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released a report on the Iowa Department of Justice for the year ended June 30, 2004.

The Iowa Department of Justice, with the Attorney General as head and chief legal officer of the state, is established under the Constitution of the State of Iowa and Chapter 13 of the Code of Iowa. The Iowa Department of Justice prosecutes and defends all cases in the Supreme Court in which the state is a party or has an interest. The Iowa Department of Justice also represents the state in other actions and proceedings, both civil and criminal, when, in its judgment, the best interests of the state require it to do so, or when requested to appear by the Governor or the Executive Council.

Vaudt recommended the Department strengthen controls over receipts by segregating duties to the extent possible.

A copy of the audit report is available for review in the Office of Auditor of State and the Iowa Department of Justice.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF JUSTICE**

JUNE 30, 2004

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



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July 1, 2005

To the Honorable Thomas J. Miller, Attorney General
of the State of Iowa:

The Iowa Department of Justice is a part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2004.

In conducting our audits, we became aware of certain aspects concerning the Department's operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations which pertain to the Department's internal control, compliance with statutory requirements and other matters. These recommendations have been discussed with Department personnel and their responses to these recommendations are included in this report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Department of Justice, citizens of the State of Iowa and other parties to whom the Iowa Department of Justice may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Department during the course of our audits. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Department are listed on page 8 and they are available to discuss these matters with you.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Thomas J. Vilsack, Governor
Michael L. Tramontina, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

Iowa Department of Justice

June 30, 2004

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

- (A) Segregation of Duties – During our review of internal control, existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Department's financial statements.

Attorney General's Office – Although an initial receipt listing is prepared by the mail opener, the listing is not periodically compared to the amounts recorded on I/3 by someone independent of recording and depositing receipts.

Prosecuting Attorneys Office – The following findings were noted:

- (1) Although an initial receipt listing is prepared by the mail opener and a reconciliation to I/3 is being performed, a person independent of the receipt process is not reviewing the reconciliation.
- (2) Responsibilities for receipt collection, deposit preparation and reconciliation functions are not segregated from those of recording receipts.

Office of Consumer Advocate – The following findings were noted:

- (1) All incoming is not opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of all cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipts records.
- (2) Responsibilities for receipt collection, deposit preparation and reconciliation functions are not segregated from those of recording receipts.

Recommendations –

Attorney General's Office – An independent person should periodically compare the initial receipt listing to the amounts recorded on I/3.

Office of Consumer Advocate and Prosecuting Attorneys Office – We realize segregation of duties is difficult with a limited number of employees. However, these Offices should review their operating procedures to obtain the maximum internal control possible under the circumstances.

Response – As a smaller agency, it is very difficult to segregate duties yet allow for back-up for accounting procedures. The Attorney General's Office and the Prosecuting Attorney's Office review policies and procedures on a regular basis to make sure we have the best possible control our situation will allow. We believe giving multiple employees access to our systems actually enhances our cross-checking abilities. Together with the Prosecuting Attorney's Office, the Attorney General's Office will establish a policy to compare initial receipt listings to the deposit amounts recorded in I/3 by an employee independent of the current receipt process.

Report of Recommendations to the Iowa Department of Justice

June 30, 2004

Office of Consumer Advocate (OCA) receipts are opened, date stamped and endorsed by an employee who is not authorized to make entries in the accounting records. The control listing for the opening of receipts and the preparation of deposits as well as the recording of receipts to the OCA journals and the balancing of receipts to I/3 and the receivable is available upon request. Most of these procedures were established in FY 2005, but the issue has been resolved as to control and segregation of duties.

Conclusion – Response accepted.

- (B) Subrecipient Monitoring – One of the monitoring techniques utilized by the Crime Victim Assistance Division (Division) is on-site monitoring visits to be performed at least once every three years for each grantee. During our review of the Division's subrecipient monitoring, we selected five grantees to determine if on-site monitoring visits were performed timely. For one of the five grantees reviewed, the most recent on-site monitoring visit had not been performed within the past three years.

Recommendation – The Crime Victim Assistance Division should perform on-site monitoring visits at least every three years.

Response – Crime Victim assistance Division (CBAD) will perform site visits at a minimum of once every three years for each grantee to be in compliance with our own internal policy.

During the time period tested, our Division was in the process of implementing and testing new software, which was a very time-consuming process. The main staff person responsible for doing site visits was working entirely with the software development process and was unable to perform site visits during that time.

During the current fiscal year, our Division implemented new monitoring policies. We now have all grant staff performing site monitoring visits so they may be performed timely.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Justice

June 30, 2004

Findings Related to Statutory Requirements and Other Matters:

Iowa Consumer Credit Code – Chapter 537.6104(5) of the Code of Iowa requires the administrator of the Iowa Consumer Credit Code to report annually to the General Assembly on the operation of the consumer credit protection bureau and on the problems of persons of small means obtaining credit from persons regularly engaged in extending sales or loan credit. This report has not been made to the General Assembly for several years.

Recommendation – The Administrator of the Iowa Consumer Credit Code should make the required annual report to the General Assembly regarding the operation of the consumer credit protection bureau. If the Department does not intend to comply with this Code section, then steps should be taken to eliminate this requirement in the future.

Response – It is the intent of the Attorney General's Office to request the Legislature to amend the Code of Iowa to eliminate this requirement.

Conclusion – Response acknowledged.

Report of Recommendations to the Iowa Department of Justice

June 30, 2004

Staff:

Questions or requests for further assistance should be directed to:

Marlys K. Gaston, CPA, Manager
Nicole B. Tenges, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Bobbie J. Zediker, Assistant Auditor
Andrea M. Pothast, Assistant Auditor
Karen L. Kibbe, Assistant Auditor